



**CITY OF ST. GEORGE, MISSOURI
YEAR ENDED DECEMBER 31, 2001**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2002-51
July 16, 2002
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

July 2002

The following problems were discovered as a result of an audit conducted by our office of the City of St. George, Missouri.

The City of St. George's year end balance at December 31, 2001, was inaccurately reported. The monthly report indicates a year-to-date balance of \$2,182,759, while the actual balance was only \$63,700. The discrepancy was due to an error in the formula used to calculate the year-to-date account balance. The City Treasurer's report is approved by the Board of Alderman. Although the overstated balance was obvious, it was not detected, which lends questioning to the thoroughness of the board's review.

The City/Court Clerk received several raises during her term of office. The Missouri Constitution states that compensation to municipal officers shall not be increased during a term of office. In addition, state law mandates that the salary of a municipal officer shall not be changed during the time for which he was elected or appointed.

The city has a credit card that is used primarily for internet service, office supplies, and city-related travel expenses. During the year ended December 31, 2001, the city used the credit card for approximately \$4,800 in expenditures. Several charges for hotels, meals, office supplies, etc. had no supporting documentation retained or the only documentation available for the purchase was a signed charge slip. Copies of the itemized vendor invoices were not retained.

A St. George city ordinance states disbursements that exceed \$1,000 shall be competitively bid; however, city personnel were not aware of this policy. City personnel indicated the decision of whether to solicit bids for a particular purchase was made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained for \$40,367 for trash service, \$7,451 for insurance, and \$1,183 for radar equipment.

Former Mayor Cullen was elected in April 1998 to serve a four-year term, but he resigned in March 2001. At that time, Alderman Lorino was appointed mayor and during the April meeting Paul Tillman was appointed to fill the alderman position. Former Alderman Strathmann was elected in April 1999 to serve a four-year term, but he resigned in August 2001. At that time Mayor Lorino appointed Karen Krebeck to fill the alderman position. Neither alderman position was placed on the April 2002 ballot. State law requires that if a vacancy occurs in an elective office, the mayor and the board of aldermen are required to appoint a successor who serves until the next regular municipal election.

(over)

YELLOW SHEET

Christmas payments totaling \$850 and \$725 were paid to appointed city officials and employees in December 2000 and 2001, respectively. A city ordinance indicates all appointed officials are to receive a "cash Christmas payment" of \$25 and full-time police officers are to receive \$100. It is unclear whether these payments represent bonuses. Bonuses appear to represent additional compensation for services previously rendered and violate the Missouri Constitution. The Board of Aldermen should consider simply increasing the salary of these personnel to avoid the appearance of granting a bonus.

The board regularly conducts closed meetings. Minutes were not prepared to document the matters discussed in closed meetings, and board minutes did not always indicate the reasons for closing the meetings. State law requires specific reasons for a closed meeting to be announced publicly at an open session. Additionally, city ordinance indicates a motion must be made at an open meeting to hold a closed meeting and said motion must state the purpose of the closed meeting.

Also included in the audit are recommendations related to payroll and personnel, timesheets, accounting controls, street monies, expenditures, budgets and financial reporting, fixed assets, board minutes and policies, restricted revenues, and the Municipal Division.

All reports are available on our website: www.auditor.state.mo.us

CITY OF ST. GEORGE, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of St. George

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. George, Missouri. The scope of our audit of the city included, but was not necessarily limited to, the year ended December 31, 2001. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review compliance with certain legal provisions.
3. Review certain management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents and interviewed various personnel of the city.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of St. George, Missouri.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

February 19, 2002

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Debra S. Lewis, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. GEORGE
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

1. Payroll and Personnel

At December 31, 2001, the city had six full-time police officers and fourteen part-time employees and elected/appointed officials. The city incurred \$192,739 in gross wages during 2001 for all employees. We noted the following concerns regarding payroll and personnel:

- A. The city has not formalized a personnel policy in writing for non-police employees. The city has an ordinance that outlines descriptions of job duties and qualifications for various positions. However, the city has not covered additional areas such as retirement and health benefits, hiring and firing procedures, vacation and sick leave, regular work hours and official holidays, and compensatory time.

A comprehensive personnel policy manual would provide guidance and control for the effective and consistent management of the city's employees.

- B. The City/Court Clerk received several raises during her term of office. City ordinance 582 establishes the City Clerk's term of office at four years. Article VII, Section 13 of the Missouri Constitution states that compensation to municipal officers shall not be increased during a term of office. In addition, Section 79.270, RSMo 2000, states that the salary of a municipal officer shall not be changed during the time for which he was elected or appointed.

- C. The city does not properly report wages, withhold payroll taxes, or pay the employer's share of social security on compensation paid to the City Attorney and the Municipal Judge or on additional compensation paid to the City Clerk for cleaning city hall and a police officer for working on city streets. The following table indicates the compensation paid during the year ended December 31, 2001, which was not subjected to withholdings:

Position	Amount Paid
City Attorney	\$9,032
Municipal Judge	2,400
City Clerk	960
Police Officer	370

The Internal Revenue Code requires employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo 2000, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees. Section 105.300,

RSMo 2000, defines an appointive officer or employee of a political subdivision as an employee for social security tax purposes.

- D. Christmas payments totaling \$850 and \$725 were paid to appointed city officials and employees in December 2000 and 2001, respectively. City Ordinance 678 indicates all appointed officials are to receive a "cash Christmas payment" of \$25 and full time police officers are to receive \$100.

It is unclear whether these payments represent bonuses. Bonuses appear to represent additional compensation for services previously rendered and violate Article III, Section 39 of the Missouri Constitution. Attorney General's Opinion No. 72, 1955 to Pray, states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered." The Board of Aldermen should consider simply increasing the salary of these personnel to avoid the appearance of granting a bonus.

- E. The City/Court Clerk and Assistant City/Court Clerk prepare time sheets of overtime hours only. In addition, the time sheets showing overtime hours were not consistently signed by the employee and did not indicate review and approval by the supervisor.

Time sheets are necessary to document hours actually worked, substantiate payroll expenditures, and provide the board with a method to monitor hours worked. The city should require the City/Court Clerk and Assistant City/Court Clerk to prepare detailed time sheets that are reviewed and approved by a supervisor.

- F. The city maintains records of vacation, sick leave, and compensatory time earned, taken, or accumulated for police officers but not for some appointed officials. Adequate documentation of vacation and sick leave earned, taken, and accumulated is necessary to ensure appointed officials and employees are properly compensated for accumulated leave and to ensure leave time used is not in excess of time accumulated.

- G. During the year ended December 31, 2001, the city contributed \$4,711 to an Individual Retirement Account (IRA) for the Chief of Police, five full-time police officers, the City/Court Clerk, and the City Treasurer. The city is prohibited by state law from establishing its own retirement plan. The Missouri Constitution, Article 6, Section 25 states that political subdivisions can only provide pensions for its employees when such authority is given to the political subdivisions by the General Assembly. No statutory authority has been given for cities to provide their own retirement plan. Section 70.600, RSMo 2000, the statute creating the Missouri Local Government Employees' Retirement System (LAGERS), states its purpose as "providing for the retirement or pensioning of the officers and

employees...of any political subdivision of the state...". Section 70.615, RSMo 2000, stipulates that after October 13, 1967, a political subdivision shall not commence coverage of its employees under another system other than the Missouri Local Government Employees' Retirement System (LAGERS). In addition, Attorney General Opinion No. 23, 1979 to Becker, concluded "Since the IRA is a plan similar in purpose to LAGERS, ... the city cannot establish Individual Retirement Accounts for its employees."

WE RECOMMEND the Board of Aldermen:

- A. Prepare and maintain a personnel policy manual to provide documentation of the city's procedures and policies for all city employees.
- B. Ensure the salaries of the city's officials are not changed during their term of office.
- C. Ensure that the compensation paid to elected or appointive officials are properly reported. If it is determined that this is an employee relationship, the Board should ensure payroll taxes are properly withheld and remitted for any wages or salaries paid.
- D. Discontinue paying Christmas payments to city employees and appointed officials.
- E. Require the City/Court Clerk and Assistant City/Court Clerk to prepare time sheets reflecting the actual time worked. In addition, time sheets should be signed by the official or employee and the applicable supervisor.
- F. Require accurate records of vacation, sick leave, and compensatory time be maintained in a manner that provides a complete record of the amount of time earned, taken, and any accumulated balances.
- G. Review the legality of the city's retirement plan.

AUDITEE'S RESPONSE

- A. *The City of St. George is a small, fourth-class city with a part time administration. The city already maintains a personnel policy manual for police officers and has ordinances covering the duties of other appointed officials. The city has not had any problems with personnel policy and wishes to maintain the at-will nature of appointees. It is believed that the present ordinances and manual adequately serve the city's personnel needs.*
- B. *The city agrees and will consider shortening the term of some city officials so their salary may be reviewed yearly instead of every four years. The two modest raises received by the City Clerk in one term came after an extended period with no increase.*

- C. *The City Attorney and the Municipal Judge report payment for services by the city on their own individual taxes. In the future, the city will issue 1099 forms to the I.R.S. for those services and for such miscellaneous services as cleaning City Hall and sporadic work on streets.*
- D. *The city has written into its ordinance discretionary payments to be distributed to employees, if merited, prior to Christmas. These are not "bonuses" for services already rendered, but discretionary salary items.*
- E. *The city agrees and signed time sheets for all hours worked are being kept.*
- F. *The city agrees and is doing so.*
- G. *The City Attorney has discussed the legality of the city's IRA savings plan with the chief legal counsel for the Missouri Local Government Employees' Retirement System (LAGERS), who is of the opinion that the St. George I.R.A. plan does not violate State Law because it does not conflict with the LAGERS pension plan. The statute prohibits plans similar in purpose to LAGERS for city employees other than policemen. Ours is an IRA savings plan-not a defined benefit pension like LAGERS and, therefore, not similar in purpose.*

2.	Accounting Controls and Procedures
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- A. The Mayor, City Treasurer, and City Clerk can sign checks issued on the city's bank accounts. Checks require two signatures; however, checks are sometimes signed in advance by the City Treasurer. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.
- B. Checks and money orders received are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- C. The city maintains a non-interest bearing bank account. The average month-end bank balance in the general account for the year ended December 31, 2001, was \$63,250. To maximize revenues, city monies should be deposited into interest-bearing accounts.
- D. The City Treasurer prepares a monthly report of receipts, disbursements, and ending balances for each fund. This report also includes detailed information such as deposits and checks written as well as a year-to-date summary of each fund. We noted the following concerns regarding the monthly financial report:
 - 1) Some disbursements were not included on the report. During the year ended December 31, 2001, the city received approximately \$33,200 in

Community Policing grant monies. While the City Treasurer properly recorded the receipt of these monies, the related disbursements did not include the total payments made to police officers for payroll. In addition, some automatic withdrawals and checks were not recorded on the monthly report.

- 2) The city's year to date ending balance at December 31, 2001, was inaccurately reported. The monthly report indicated a year-to-date balance of \$2,182,759, while the actual balance was only \$63,700. It appears the discrepancy was due to an error in the formula on the City Treasurer's electronic spreadsheet used to calculate the account balance.

The City Treasurer's report is approved by the Board of Alderman at the monthly board meeting. However, it appears the overstated balance, even though obvious, was not detected which lends questioning to the thoroughness of the board's review.

In addition, the City Treasurer does not maintain a running balance in her checkbook register or her ledger sheets. Some of the errors noted above could possibly have been detected if a running balance was maintained. The errors noted above were corrected for the financial statement presented in the History, Organization, and Statistical Information portion of this report.

To ensure the financial information made available to the Board of Alderman and public is complete and accurate, the city should ensure all funds and financial activity of the city is accurately recorded and properly presented in the monthly City Treasurer's reports. Procedures should be developed to ensure the accuracy of the monthly City Treasurer's report such as an independent review of the bank reconciliation.

- E. The Board of Alderman did not review and approve the payment of some city expenditures greater than \$750 prior to the disbursements being made. City Ordinance 518 states: "Any expenditure for the City of St. George that does not exceed \$750 may be made without prior approval of the Board of Aldermen." We noted expenditures for a new car, parts for a car, insurance, fuel, and a computer that exceeded \$750 for which no documentation of the board's approval could be located. In addition, some vouchers were not properly approved by either the Chief of Police or the City Treasurer.

A financial report prepared monthly by the City Treasurer that includes a detailed listing of disbursements by fund is approved by the board; however, the disbursements represent the preceding months activities.

Disbursements made from city funds should be reviewed and approved by the Board of Alderman before payment is made to ensure all disbursements represent valid operating costs of the city. In addition, to adequately document the board's

review and approval of disbursements, a complete and detailed listing of bills should be prepared for and signed by the board to denote its approval, and retained with the official minutes.

WE RECOMMEND the Board of Aldermen:

- A. Ensure city officials discontinue the practice of signing checks in advance.
- B. Ensure checks and money orders are restrictively endorsed immediately upon receipt.
- C. Ensure city monies are deposited into interest bearing accounts.
- D. Develop procedures to ensure the City Treasurer's reports are complete and accurate. In addition, the City Treasurer should maintain a running balance in her checkbook.
- E. Review and approve the expenditure of city funds prior to the disbursements being made. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes.

AUDITEE'S RESPONSE

- A. *The city has already implemented this recommendation.*
- B. *An additional deposit stamp has been purchased so that all deposits may be stamped daily, as opposed to several times per week.*
- C. *The city is considering changing its long-standing checking account to an interest bearing account and will discuss the options at the next Board of Aldermen Meeting.*
- D. *The Treasurer now shows Community Policing Grant monies as a police payroll disbursement. The Treasurer's monthly report includes a detail of all checks issued and all automatic withdrawals, in the form of a listing from the checking account. The glitch that resulted in an overstated balance has been resolved and Board members now sign the Treasurer's Report after approval. The Treasurer maintains a running balance on the checking account.*
- E. *Because of a confusing ordinance, it was thought that prior approval of the Board was necessary only if the expenditure was in excess of \$1,000.00, not the \$750.00 mentioned in the Audit. The Ordinance is being amended to authorize expenditures of \$1,000.00 without Board Approval. Passing the budget approves expenditures of city funds. Disbursements are approved on a monthly basis at the meeting. Approval of all disbursements prior to the actual checks being issued would be extremely cumbersome but is being taken under advisement by the city.*

3.**City Expenditures**

- A. The city has a credit card that is used primarily for internet service, office supplies, and city-related travel expenses. During the year ended December 31, 2001, the city used the credit card for approximately \$4,800 in expenditures. We noted several charges for hotels, meals, office supplies, etc. for which no supporting documentation was retained or the only documentation available for the purchase was a signed charge slip. Copies of the itemized vendor invoices were not retained.

Adequate supporting documentation should be retained for all credit card purchases and reconciled to credit card statements to ensure the propriety of the charges. Without adequate supporting documentation, the city cannot evaluate the necessity and reasonableness of credit card purchases.

- B. The city's formal bidding policy established by City Ordinance 518 states disbursements that exceed \$1,000 shall be competitively bid; however, city personnel were not aware of this policy. City personnel indicated the decision of whether to solicit bids for a particular purchase was made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained for \$40,367 for trash service, \$7,451 for insurance, and \$1,183 for radar equipment. The minutes of the November 1999, Board of Aldermen meeting indicate bids for trash service were received and discussed; however, documentation of those bids could not be located.

In addition, during the year ended December 31, 2001, the city paid approximately \$1,600 to a business owned by a city employee for repairs and maintenance for city vehicles. No documentation of informal price quotations was retained.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business. Complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- C. The city does not have written travel expense policies. In August 2001, a police officer was reimbursed meal expenses of \$260 to attend a six-day training seminar at the Lake of the Ozarks, averaging \$43 a day. When questioned about the high costs of these meals, the Police Chief indicated the officer had taken his wife with him on this trip. In July 2001, the Mayor's wife was reimbursed \$39. The voucher indicated this was for breakfast for the Mayor and his family, and the Police Chief and his wife.

In addition, we noted numerous instances where meals were charged to the city's credit card; however, no documentation was available to determine the number of entrees purchased (see MAR 3.A.). The total paid by the city for meals for families of officials or employees is not known. We did note a charge of \$171 for dinner and theater tickets in Branson. The Police Chief indicated he, the Mayor, and their wives attended.

Without written, documented policies, the types of expenses that can be incurred and the extent of those expenses that will be paid by the city may not be known. The city's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The above expenses do not appear to represent a necessary and prudent use of public funds.

WE RECOMMEND the Board of Aldermen:

- A. Ensure adequate supporting documentation is submitted for all credit card purchases and reconciled to credit card statements to ensure the propriety of the charges.
- B. Follow established formal bidding policies and procedures. In addition, documentation of the bidding process should be maintained in all cases.
- C. Develop written travel policies that are reasonable and will allow all officials and employees to know what expenses can be incurred. In addition, the Board should ensure all disbursements from city funds are a prudent use of public funds.

AUDITEE'S RESPONSE

- A. *City officials use the city credit card to purchase miscellaneous supplies, services, and for City related travel expenses due to training seminars. For the approximate \$1,600 in expenses that were incurred for travel and training for 2001, the charge slips should have been turned in but may not have all been kept as a permanent record. We do have all credit card monthly statements that provide documentation of the expense incurred. The city now will require a travel log to be kept for city related travel expenses that also requires receipts to be turned in to the Treasurer. These will be kept as a permanent record.*
- B. *The city, for the most part, follows bidding policies and procedures when practicable. With some items, bids are obtained informally by telephone. All bids are reported to the Board of Aldermen, appear in the Minutes of the Meetings, and are voted on in open session. The city will keep all bids submitted in the future, and will document oral bids with appropriate notes. In some instances, however, the establishment of a relationship with a vendor who provides prompt service to the city on an as-needed basis, is the most economically efficient method of keeping equipment operable.*

- C. *The city will implement a travel expense log that will require detailed receipts and explanations of expenditures and will also consider implementing a travel expenses policy by presenting a Bill concerning same to the Board of Aldermen. It should be noted that the portion of the \$171.00 expenditure for dinner tickets in Branson exceeding the cost of the meal for the city officials has already been reimbursed to the city. In addition, the breakfast for the "Mayor and his family" for \$39.00 was felt to be warranted because the city was not charged for travel expenses to and from the seminar site, which would have amounted to approximately \$155.00.*

4.

Street Monies

An annual maintenance plan for city streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The city regularly discusses city street maintenance in open meetings and informs the residents of problems through the City Newspaper and by letter. Each Board Meeting has a section for the Street Commissioner's Report and Complaints or Comments by any citizens where street matters may be brought up. The city believes that these measures are adequate for dealing with the streets.

5.

City Appointments

Former Mayor Cullen was elected in April 1998 to serve a four-year term, but he resigned in March 2001. At that time, Alderman Lorino was appointed mayor and during the April meeting Paul Tillman was appointed to fill the alderman position. The alderman position was not placed on the April 2002 ballot.

Former Aldermen Strathmann was elected in April 1999 to serve a four-year term, but he resigned in August 2001. At that time, Mayor Lorino appointed Karen Krebeck to fill the alderman position. This position was not placed on the April 2002 ballot. In addition, the minutes of the board of aldermen meeting did not indicate that the Board voted on this appointment (See MAR No. 6).

City officials indicated it was their policy to appoint a replacement to serve the remainder of the term.

According to Section 79.280, RSMo 2000, if a vacancy occurs in an elective office, the mayor and the board of aldermen are required to appoint a successor who serves until the next regular municipal election. The winning candidate at that election then serves the remainder of the unexpired term. In addition, City Ordinance 679 indicates the appointed successor shall serve until the next regular municipal election. The board of aldermen should ensure that any future vacant offices are filled in compliance with state law and city ordinance.

WE RECOMMEND the Board of Aldermen ensure vacant elective offices are filled in compliance with state law.

AUDITEE'S RESPONSE

The two Aldermen positions noted were inadvertently left off the April 2002 ballot. The city will place all vacancies filled by appointment on the ballot at the next regularly scheduled Municipal Election.

6.

Board Minutes and Policies

- A. The minutes of the meetings of the Board of Aldermen did not contain some information required by statute. There were numerous instances where the minutes indicated a motion had passed, but did not indicate the number of votes for and against. In addition, the minutes did not indicate whether the Board voted on the appointment of an alderman (see MAR No. 5).

Section 610.020, RSMo 2000, states that the minutes shall include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate minutes provide an official record of board actions and decisions.

- B. The board regularly conducts closed meetings. Minutes were not prepared to document the matters discussed in closed meetings, and board minutes did not always indicate the reasons for closing the meetings.

Section 610.020, RSMo 2000, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, and personnel issues. Section 610.022, RSMo 2000, requires a

closed meeting, record, or vote be held for the specific reasons announced publicly at an open session. This law provides that public governmental bodies shall not discuss other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. In addition, City Ordinance 468 indicates a motion must be made at an open meeting to hold a closed meeting and said motion must state the purpose of the closed meeting.

Without the preparation of closed minutes, there is less evidence that the provisions of the Sunshine Law, Chapter 610, RSMo 2000, regarding these closed meetings, have been followed.

- C. The board minutes are prepared and signed by the Assistant City Clerk and approved by the board; however, they are not signed by the Mayor. The board minutes should be signed by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- D. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to city records would establish guidelines for the city to make records available to the public. This policy should establish a contact person, an address for mailing such requests, and the cost for providing copies of the public records.

Section 610.023, RSMo 2000, lists requirements for making city records available to the public. Section 610.026, RSMo 2000, allows the city to charge fees for copying public records, not to exceed the city's actual cost of document search and duplication.

WE RECOMMEND the Board of Aldermen:

- A. Ensure minutes include all information required by statute.
- B. Ensure minutes are prepared for closed meetings, and the reasons for closing the meeting are documented in the board minutes as required by law.
- C. Require board minutes to be signed by the Mayor to attest to their completeness and accuracy.
- D. Establish formal written policies and procedures regarding public access to and/or copies of city records.

AUDITEE'S RESPONSE

- A. *The Minutes of the Board Meeting usually contain each Alderman's vote for any matter voted on. In addition, the City Clerk separately keeps written tally of all votes cast*

during meetings. The city will continue to comply with Section 610.020 RSMo as it relates to the keeping of minutes.

- B. *The agenda usually contains the reason for closing meetings and is filed with the minutes. There were two occasions in 2001 when this was not followed. In the future, the board minutes will also reflect the reason for closing meetings. Closed meeting minutes are now being written.*
- C. *Board minutes have always been approved by the Board of Alderman at the next regularly scheduled meeting. The Mayor will now also sign them.*
- D. *The city has already passed an ordinance updating its policy for public access to and copies of city records.*

7. Budgets and Financial Reporting

A. The city had not published semi-annual financial statements since December 31, 2000. After our requests, the city published a financial statement for the year ended December 31, 2001 in March 2002. Section 79.160, RSMo 2000, requires the Board of Alderman to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six-month period. In addition, Section 79.165, RSMo 2000, states the city cannot legally disburse funds until the financial statement is published.

B. The budget for the year ended December 31, 2001, did not include a comparative statement of actual or estimated receipts and disbursements for the two previous years. Section 67.010, RSMo 2000, sets specific guidelines for the format of the annual operating budget.

A complete and well-planned budget, in addition to meeting statutory requirements can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. A complete budget should include separate receipt and disbursement estimations, and include beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

- C. The city exceeded the budgeted disbursement amounts in the General Fund during the year ended December 31, 2001, by approximately \$53,700. The monthly City Treasurer's report reflects the budget amounts and actual disbursements to date; however, due to various errors in these reports (see MAR No. 2.E.) the budget overage was not apparent.

Section 67.040, RSMo 2000, requires political subdivisions to keep disbursements within amounts budgeted. If there are valid reasons which necessitate excess disbursements, a resolution should be adopted by the governing body setting forth the amount of the budget increase and the facts and reasons for such.

WE RECOMMEND the Board of Alderman:

- A. Publish semi-annual financial statements as required by state law.
- B. Prepare budgets that contain all information as required by state law.
- C. Ensure disbursements are kept within budgeted amounts. If it is necessary to incur additional disbursements, a resolution setting forth the increase and reasons for such should be adopted.

AUDITEE'S RESPONSE

- A. *Because of extreme circumstance, one Financial Statement was not timely published. This was corrected when discovered. The city will continue to publish as required by law.*
- B. *The city will include a comparative statement of actual or estimated receipts or disbursements for the previous two years in its 2002 budget.*
- C. *The Board normally approves payments that exceed budgeted amounts. The city will also amend budgets when expenditures exceed the amount budgeted.*

8. General Fixed Asset Records and Procedures
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- A. The city does not maintain complete records to account for all property owned by the city. The Chief of Police does maintain a listing of general fixed assets for the police department; however, this listing did not include the police vehicles. Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The record should include a detailed description of the assets including the name, make and model numbers, and asset identification number, the physical location of the assets, and the date and method of disposition of the assets when disposed of. Complete and accurate fixed asset records are necessary to ensure better internal control over city property and provide a basis for determining proper insurance coverage. Physical

inventories are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Prenumbered tags, when affixed to property items, allow for identification of the property in the records and limit the potential for personal use of city assets.

Adequate general fixed asset records are necessary to secure better internal control and safeguard city assets which are susceptible to loss, theft, or misuse, and provide a basis for determining proper insurance coverage required on city property.

- B. The city does not have a formal policy regarding the sale of city vehicles and equipment. In March 2001, the city transferred the title of a vehicle to a city employee without advertising for the sale of the car or soliciting bids. The minutes explained that the city employee had donated some repairs on the car in anticipation of purchasing the vehicle and that these donations would have to be reimbursed if the city chose not to sell the vehicle to the employee.

There was no documentation available to support the trade-in value noted in the minutes, nor to support the amount of repairs donated by the city employee.

To ensure the city receives the fair value for the sale of city-owned property and that city residents have proper opportunity to bid on the property, bids should be solicited for all sales of major city property and documentation should be retained of all decisions made.

WE RECOMMEND the Board of Aldermen:

- A. Establish property records for all fixed assets and require annual physical inventories of the fixed assets. The Board of Aldermen should require additions to the fixed asset list be reconciled to purchases annually and ensure prenumbered inventory tags that label each item as “Property of the City of St. George” are attached to city property and equipment.
- B. Establish a policy for the sale of city vehicles and equipment.

AUDITEE'S RESPONSE

- A. *The city is now in the process of doing an additional inventory of all of its personal property and fixed assets and will update same regularly.*

- B. *The city's policy in the past has been to sell city vehicles and equipment under sealed bid. This has been followed in all but one instance. Those special circumstances warranted the sale of a vehicle without the bid process to cut additional losses by the city on the property. This was done after full discussion in an open Board Meeting by a majority vote of the Board. The city will adopt a formal policy regarding sale of major items such as vehicles.*

9.

Restricted Revenues

- A. The city receives state motor vehicle-related revenues and deposits them into the General Fund. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes only including policing, signing, lighting, and cleaning of roads and streets. The city has not established a separate fund or separate accounting for these receipts and disbursements and does not monitor the use of these funds to ensure compliance with the Missouri Constitution.

During the year ended December 31, 2001, the city deposited approximately \$56,800, in state motor vehicle-related receipts into the General Fund. The city's records did not clearly document the total amount spent on lighting, policing, and signs for the streets in the city.

To ensure compliance with the Missouri Constitution, the city should maintain a separate fund or separate accounting of motor vehicle-related receipts and ensure these receipts are used only for the purposes allowed by the constitution.

- B. Law Enforcement Training fees are not accounted for separately or maintained in a separate fund. During the year ended December 31, 2001, the city received approximately \$3,000 in training fees and spent approximately \$2,200 on police training. In addition, at December 31, 2001, the city had \$4,159 in its Police Officer Standards and Training Commission Fund that is also required to be spent on police training. Section 590.140, RSMo 2000, requires law enforcement training fees to be used only for the training of law enforcement officers. The city should determine law enforcement training fees collected and transfer the fees to the Police Officer Standards and Training Commission account or maintain a separate accounting of the funds to ensure the fees are used in accordance with state law.

WE RECOMMEND the Board of Aldermen:

- A. Establish a separate fund or accounting of the state motor vehicle-related revenues to ensure funds are spent in accordance with the Missouri Constitution.
- B. Establish a separate accounting for Law Enforcement Training fees to ensure compliance with the Missouri Constitution and state law.

AUDITEE'S RESPONSE

The city's expenditures for lighting, patrolling and signs for streets in the city far exceed the funds received for state motor vehicle related revenues. Thus, the city is in compliance with the Missouri Constitution's requirement that those funds should be spent only for those purposes. In the future, the city will make a note on the annual budget pointing out that fact. The city now deposits the Law Enforcement Training fees with the POST funds.

10. City of St. George Municipal Division
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- A. Neither the police department nor the municipal division maintain adequate records to account for traffic tickets issued. The police department did maintain a copy of the tickets; however, some of the tickets were missing and the tickets did not indicate the disposition. Without a proper accounting of the numerical sequence and disposition of traffic tickets, the police department and the court cannot be assured that all traffic tickets issued were properly submitted to the court for processing. Records listing each ticket number, issuing officer, the date issued, the violator's name and the ultimate disposition of each ticket should be maintained to ensure all traffic tickets were properly submitted to the court for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each traffic ticket should also be maintained to ensure all traffic tickets have been accounted for properly.

- B. The following concerns were noted regarding court costs and fees:
 - 1) The court charges court costs of \$11 for each case filed. Section 488.012, RSMo 2000, requires court costs of \$12 be assessed for each case filed in a municipal division. In addition, Section 115.080 of the city ordinances indicates regular court costs shall be \$12 for all cases decided during the regular session.

 - 2) Law Enforcement Training fees are not collected on nonmoving violations. Section 488.5336, RSMo 2000, requires this fee to be charged on all court cases for violations of municipal ordinances, except for cases dismissed by the court. In addition, City Ordinance 624 indicates there shall be assessed as costs in all cases, the sum of \$2 for the training of police officers.

WE RECOMMEND the city of St. George Municipal Division:

- A. Work with the police department to ensure records are maintained to account for the numerical sequence of tickets issued and their ultimate disposition.

- B. Collect court costs and fees in accordance with state law and city ordinance.

AUDITEE'S RESPONSE

- A. *All records of disposition of traffic tickets are kept by the Court Clerk and will be reviewed by the Chief of Police to insure that all tickets written were submitted to the court. The four "missing tickets" were actually found. All were properly processed and disposed of in court.*

- B.1. *This has already been corrected.*

- 2. *The Municipal Court now collects an extra \$2 per ticket for non-moving violations for the Police Training Fund in compliance with State Law and city ordinances.*

This report is intended for the information of the management of the City of St. George and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF ST. GEORGE, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of St. George is located in St. Louis County. The city was incorporated in 1948 as a fourth-class city. The population of the city in 2000 was 1,288.

The city government consists of a mayor and a six-member Board of Aldermen. The members are elected for two-year terms. The mayor is elected for a four-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 2001, were:

Elected Officials	Term Expires	Compensation Paid for the Year Ended December 31, 2001	Amount of Bond
Michael J. Lorino, Mayor (1)	April 2002	\$ 3,973 (2)	\$ 0
Ray A. Kaufmann, Alderman	April 2003	300	0
John J. Kearns III, Alderman (3)	April 2002	463 (4)	0
Karen S. Krebeck, Alderwoman (5)	April 2003	75	0
Jeanne S. Mers, Alderwoman (6)	April 2002	300	0
Eugene E. Preiss, Alderman (6)	April 2002	300	0
Paul A. Tillman, Alderman (7)	April 2003	200	0

- (1) Scott Cullen resigned in March 2001, and Michael Lorino was appointed to fill the position until the end of the term. Michael Lorino was elected as Mayor in April 2002.
- (2) Compensation includes amounts paid as alderman and mayor.
- (3) Paul King was elected as alderman in April 2002.
- (4) Compensation includes the additional amount paid to serve as acting mayor while a replacement was selected.
- (5) Dean Strathmann resigned in September 2001, and Karen Krebeck was appointed to fill the position until the end of the term.
- (6) Jeanne S. Mers and Eugene E. Preiss were re-elected in April 2002.
- (7) Michael Lorino was appointed as the interim Mayor in March 2001, Paul A. Tillman was appointed to fill the position until the end of the term.

Other Principal Officials

Marilyn Schneider, City/Court Clerk	17,594 (8)	10,000
Marjorie Walters, City Treasurer (9)	3,850	10,000
Paul A. Roy, Chief of Police	34,535	0
John Malec, City Attorney	9,032	0

(8) Includes monthly payments of \$80 for cleaning City Hall.

(9) Dave Pozzo was appointed City Treasurer as of May 2, 2002.

On December 31, 2001, the city employed 6 full-time and 14 part-time employees.

Assessed valuations and tax rates for 2001 were as follows:

ASSESSED VALUATION

Real estate	\$ 9,157,044
Personal property	<u>2,207,057</u>
Total	\$ <u>11,364,101</u>

TAX RATES PER \$100 ASSESSED VALUATION

	Rate
General Fund *	\$ <u>0.12</u>

* In addition, the city receives a portion of the St. Louis County Road and Bridge Tax.

The city has the following sales tax; the rate is per \$1 of retail sales:

	Rate	Expiration Date
General	\$ <u>.01</u>	<u>none</u>

A summary of the city's financial activity for the year ended December 31, 2001, is presented below:

	General Fund	Road Fund	Peace Officer Standards and Training Commission Fund	Total
RECEIPTS				
Property taxes	\$ 13,124	11,471	0	24,595
Motor fuel taxes	56,835	0	0	56,835
Sales taxes	173,434	0	0	173,434
Cigarette taxes	5,683	0	0	5,683
Utility taxes	0	18,110	0	18,110
Interest	6,106	498	24	6,628
Municipal Court fees	117,425	0	0	117,425
Government grant	33,183	0	0	33,183
Franchise Fee	7,172	0	0	7,172
Permits and Licenses	1,250	1,416	0	2,666
Peace Officer Standards and Training Commission Fund	0	0	2,009	2,009
Miscellaneous	1,744	0	0	1,744
Total Receipts	415,956	31,495	2,033	449,484
DISBURSEMENTS				
General Government Administration	80,130	0	0	80,130
Police Department	254,730	0	0	254,730
Public Works	1,544	20,363	0	21,907
Sanitation	47,544	0	0	47,544
Professional Services	11,432	0	0	11,432
Crime Victims Compensation	9,514	0	0	9,514
Miscellaneous	785	0	0	785
Total Disbursements	405,679	20,363	0	426,042
Receipts Over (Under) Disbursements	10,277	11,132	2,033	23,442
Cash Balance, January 1, 2001	172,208	32,829	2,126	207,163
Cash Balance, December 31, 2001	\$ 182,485	43,961	4,159	230,605